

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SS-15 SP-02 NSC-05 CIAE-00
INR-10 NSAE-00 EB-08 AID-05 PA-01 ICA-11 TRSE-00
CEA-01 OMB-01 /082 W
-----118023 082017Z /66

R 081556Z JUN 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9216
INFO AMEMBASSY ATHENS
AMEMBASSY ANKARA
AMEMBASSY BRUSSELS
AMEMBASSY BERN
AMEMBASSY COPENHAGEN
AMEMBASSY CANBERRA
AMEMBASSY DUBLIN
AMEMBASSY HELSINKI
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY REYKJAVIK
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY THE HAGUE
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON
AMEMBASSY BELGRADE
AMEMBASSY VALLETTA

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BRUSSELS ALSO FOR USEEC
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PARIS ALSO FOR USOECD

E. O. 11652: GDS
TAGS: EEC, EAID, EFIN, GW
SUBJECT: SPD PROPOSED SOUTHERN EUROPEAN MARSHALL PLAN

REF: STATE 135092

1. WHILE WE ARE STILL AWAITING A COPY OF SPD PAPER FROM THE 1977 PARTY CONVENTION, WE HAVE BEEN ABLE TO SOUND OUT INFORMALLY VARIOUS GOVERNMENT SOURCES. SEPTTEL REPORTS A PRESS RELEASE QUOTING WOLFGANG ROTH, AN SPD MEMBER OF THE BUNDESTAG ECONOMIC COMMITTEE, ON THE SUBJECT OF THE SOUTHERN EUROPEAN PROGRAM.

2. IN THE COURSE OF A MEETING BETWEEN DR. EHMKE AND SENATOR ROTH (JUNE 2), DR. EHMKE OUTLINED THE PLAN AS FOLLOWS. HE ENVISAGES A NORTHERN CONSORTIUM THROUGH WHICH GOVERNMENT GUARANTEES AND CREDITS WOULD BE RAISED. THESE FUNDS WOULD BE CHanneLED THROUGH THE EUROPEAN INVESTMENT BANK TO YUGOSLAVIA, MALTA, SPAIN, PORTUGAL, GREECE AND TURKEY. HE ALSO MENTIONED LARGE SCALE BORROWING ON THE EURODOLLAR MARKET WITH THE INTEREST PAYMENTS TO BE SUBSIDIZED BY THE CONSORTIUM MEMBERS.

3. EHMKE FELT THAT SOME MONEY (DM 500 MILLION) COULD COME IN THE FRG'S 1979 BUDGET. THIS COULD SERVE AS THE INITIAL GERMAN CONTRIBUTION TO GETTING THE PROGRAM IN OPERATION. EHMKE ESTIMATED THAT SUCH A PROGRAM WOULD COST DOLLARS 5 BILLION PER YEAR. THE FOCUS OF THE PLAN IS MEDIUM TERM. IF ENACTED NOW, IT WOULD NOT SHOW ANY EFFECT UNTIL AFTER 1980.
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4. EHMKE HAS DISCUSSED THE PLAN WITH THE CHANCELLOR. AS A CHANCELLORY SOURCE WRYLY PUT IT, QUOTE THE CHANCELLOR IS ALWAYS INTERESTED IN SPD PLANS UNQUOTE. SCHMIDT HAS NOT SPECIFICALLY ENDORSED THE PROGRAM. CHANCELLORY SOURCE SAID THE PLAN WAS BEING CONSIDERED IN THE CONTEXT OF ASSISTANCE FOR SOUTHERN EUROPE BEFORE THE ACCESSION OF GREECE, SPAIN AND PORTUGAL. HE AGAIN EMPHASIZED THAT IT WOULD BE A MEDIUM TERM PROJECT. ANY ACTION THE FEDERAL GOVERNMENT WOULD TAKE WOULD DEPEND ON WHAT THE OTHER EC PARTNERS ARE WILLING TO DO. FRG DELEGATIONS TO EC COUNCIL AND COMMISSION MEETINGS WILL BE SOUNDING OUT THEIR COLLEAGUES IN THE COURSE OF FRESCO DISCUSSIONS.

5. SENIOR ECONOMICS COOPERATION MINISTRY SOURCE PRESENTED THE PLAN AS A MEASURE TO STIMULATE THE EUROPEAN AND WORLD ECONOMIES. HE EXPRESSED DOUBTS, HOWEVER, THAT ANY SUCH PACKAGE COULD BE LARGE ENOUGH TO HAVE A SIGNIFICANT IMPACT ON TOTAL MACRO-ECONOMIC DEVELOPMENTS IN EUROPE.

6. AN SPD CAUCUS SOURCE HAS DESCRIBED THE PLAN AS STILL BEING UNDER DISCUSSION BETWEEN SPD DEPUTIES AND MEMBERS OF THE GOVERNMENT. HE SAID THAT THERE IS HOPE THAT THE PLAN WILL BE READY TO BE DISCUSSED BY THE TIME OF THE BONN .JULY SUMMIT.

7. WHILE THE PROPOSED BUDGET FOR 1979 WILL NOT BE DECIDED UNTIL AFTER THE JULY WORLD ECONOMIC SUMMIT, FINANCE MINISTER MATTHOEFER HAS SPOKEN OF A SOUTHERN EUROPEAN PROGRAM TITLE WHICH MAY BE INCLUDED.

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8. COMMENT. AS EC ENLARGEMENT APPROACHES REALITY, THE NEED FOR FINANCIAL ASSISTANCE TO PROSPECTIVE MEMBERS BECOME OBVIOUS. THE GERMANS HAVE BEEN ANXIOUS TO MAKE TURKEY NOT FEEL LEFT OUT, AND TO DO SOMETHING FOR YUGOSLAVIA. WHAT FORM THIS ASSISTANCE TAKES OBVIOUSLY DEPENDS ON WHAT THE OTHER MEMBER STATES ARE WILLING TO DO. A SOLO GERMAN OPERATION OF THE MAGNITUDE DM 500 MILLION WOULD BE MERELY A DROP IN THE BUCKET. OUTSIDE OF THE EC, THE SWISS, SWEDES AND AUSTRIANS HAVE EXPRESSED SUPPORT. WHETHER THE FRG WOULD ACT AS A COORDINATOR DEPENDS PRIMARILY ON THE ATTITUDES OF ITS EC PARTNERS.

9. AS A STIMULATIVE MEASURE THE PLAN IS MEDIUM TERM IN ITS FOCUS. THERE IS A GREAT GAP IN THE FIGURES EHMKE MENTIONED (I.E. DM 500 MILLION FROM THE FRG AND DOLLARS 5 BILLION AS THE TOTAL COST PER YEAR.) THE EFFECT OF THE PROGRAM WILL BE DETERMINED BY HOW MUCH OF THE GAP WILL BE FILLED BY OTHER PARTICIPATING DONORS AND BORROWINGS ON THE EURODOLLAR MARKET.
END COMMENT
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC RECOVERY, PARTY LINE, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BONN10546
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780240-0217
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780683/aaaactgp.tel
Line Count: 206
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8d3b408f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 135092
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2444089
Secure: OPEN
Status: NATIVE
Subject: SPD PROPOSED SOUTHERN EUROPEAN MARSHALL PLAN
TAGS: EAID, EFIN, GE, EEC, SPD
To: STATE USEEC
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8d3b408f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014